

**“Instilling Agility, Flexibility and a Culture of Achievement in Critical Federal Agencies:
A Review of HR 1836, the Civil Service and National Security Personnel Improvement Act of 2003”**

**Opening Statement of Chairman Davis
Committee on Government Reform**

**May 6, 2003 at 10:00 a.m.
2154 Rayburn House Office Building**

Good morning and thank you for coming. The purpose of today's hearing is to discuss H.R. 1836, the “Civil Service and National Security Personnel Improvement Act,” which includes: (1) civil service reform proposals that have been put forward for the Department of Defense, the National Aeronautics and Space Administration and the Securities and Exchange Commission, (2) several government-wide civil service provisions, and (3) language authorizing the creation of a human capital performance fund.

Last month, Armed Services Committee Chairman Duncan Hunter and I introduced H.R. 1836, the “Civil Service and National Security Personnel Improvement Act,” which pulls together these personnel flexibility proposals that have been circulating for some time into one comprehensive civil service reform package. The purpose of today's discussion is to evaluate this legislation and identify possible areas of concern that we can address in moving forward with this legislation in this Committee. As you know, the Committee is scheduled to meet again tomorrow morning to consider this legislation, so it is particularly important that Members address their questions and concerns at this time.

One of the most significant elements of this legislation is the National Security Personnel System proposal for the Department of Defense. This proposal would authorize the Secretary of Defense, jointly with the Director of the Office of Personnel Management, to establish a human resources management system that is flexible, contemporary and in conformance with the public employment principles of merit and fitness set forth in title 5 of the United States Code. However, the legislation would provide the Secretary of Defense the flexibility to create a system that is not confined by some of the more prescriptive provisions of federal personnel policy that have built up over the years.

Last year's debate on the creation of a Department of Homeland Security made it clear that the decades old system of hiring, firing, evaluating, promoting, paying, and retiring employees was not appropriate for the new Department of 170,000 civilian personnel. To name just a few examples: it takes an average of five months to hire a new federal employee, and 18 months to fire a federal employee; pay raises are based on longevity rather than performance; and the protracted collective bargaining process set up in title 5 can delay crucial action for months, if not years. On top of all that, the vast majority of federal employees themselves recognize that dealing with poor performers is a serious problem in their agencies.

If this decades old civil service system is inadequate for a Department of 170,000 employees whose mission is to protect the Nation against attacks, it hardly makes sense to confine a Department of over 600,000 civilian employees – whose mission is to protect the national security of the United States – to a civil service system that was put in place in the 1950s.

To make matters worse, it appears that the Department of Defense has determined that its military and contract workforces are more agile, effective and reliable than its 600,000-strong civilian workforce. In fact, as of a week ago, there were 8700 contractor employees supporting Operation Iraqi Freedom as opposed to 1700 federal civilian employees. In other words, contractors represented 83% of the workforce in Iraq. That, to me, is unacceptable.

The legislative proposal that was put forth by the administration to establish a new civil service system for the Defense Department is mirrored closely on the language that Congress provided to the Department of Homeland Security in establishing its human resources management system. I believe that this is an ambitious yet reasonable proposal for DOD, a Department that has decades worth of experience in personnel and workforce policy.

In addition to the almost year-long debate in Congress over the same human resources management system proposal during the Homeland Security debate last year, this legislation has been the subject of hearings over the past two weeks, and Members have raised a number of important issues that we hope to address in today's hearing.

H.R. 1836 also includes several government-wide civil service reforms, ranging from a modification of the student loan repayment authority to a change in the frequency of cabinet secretary pay periods. The most significant provision in this section, in my opinion, is language from the administration that would correct a long-standing issue regarding over-time pay for federal employees.

In addition, the legislation includes language that the Financial Services Committee marked up earlier this year that would streamline the hiring process for accountants, economists and examiners at the Commission. Hiring has been a longstanding problem at the Commission, and with the growth of the SEC that is mandated by the Sarbanes-Oxley Act, the SEC is faced with hiring close to 1000 new staff in the coming years. Both the SEC and the National Treasury Employees Union support this provision and I've asked them both to come before us today to discuss this issue.

The bill also provides a number of personnel flexibilities for the National Aeronautics and Space Administration, provided that OPM approves the workforce plan developed by the NASA Administrator. This language would provide flexibility to NASA in: recruiting and retaining a top-notch workforce that will help shape the future of space exploration; coordinating with the private sector in advancing new technologies and ideas; and attracting the best and the brightest in crafting its new federal workforce.

Finally, the legislation includes an authorization of a "human capital performance fund," which is based on the proposal by the President in his FY2004 budget submission to Congress. The purpose of the fund is to offer federal managers a tool to "incentivize" agencies' highest performing and most valuable employees. Coming up with new and innovative ways with which to motivate employees will forever be a challenge for a bureaucracy as large as the federal government, and I applaud the administration's efforts to try to address the issue.

I look forward to a meaningful and substantive debate on the civil service issues raised by this legislation. We have assembled before us today an excellent panel of witnesses, and I look forward to working with them and the Members of this Committee as we move forward with this legislation.

I welcome all of the witnesses to today's hearing and I look forward to their testimony.